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August 26, 2014

Mark D. Marini, Secretary
Department of Public Utilities
One South Station, 5th Floor
Boston, MA 02110

**RE: Investigation by the Department of Public Utilities on Its Own Motion Regarding
the Department's Service Quality Guidelines, D.P.U. 12-120**

Dear Secretary Marini:

On July 11, 2014, the Department of Public Utilities (the "Department") issued Order D.P.U. 12-120-B and an attachment consisting of its proposed revised Service Quality Guidelines. The Office of the Attorney General (the "AGO") submits this correspondence, together with its enclosed report, as its initial comments on the Department's proposed revised Service Quality Guidelines. The enclosed report, entitled *Report on the Massachusetts Department of Public Utilities' Proposed Revised Service Quality Guidelines (D.P.U. 12-120-B)* (the "Report"), was prepared by O'Neill Management Consulting, LLC at the AGO's request. The AGO hereby adopts the recommendations, requests for clarification, and other positions taken in the Report as part of its initial comments.

Consistent with the sentiments expressed in the Report, the AGO commends the Department for its hard work and the "expansive and thoughtful approach to the difficult area of service quality regulation" reflected in the Department's straw proposal, which "may well become a model for the industry." The Report also offers some recommendations on how the Department's proposed Service Quality Guidelines might be fine-tuned so that they can best achieve the Department's goal of motivating continuous improvement to the service quality provided by the Commonwealth's electric and gas local distribution companies. The AGO reserves the right to refine the recommendations and positions contained in the Report and further reserves the right to make new ones in future comments.

The AGO looks forward to participating further in the process established by the Department to revise its Service Quality Guidelines.

Sincerely,

/s/ Nathan C. Forster

Nathan C. Forster
Assistant Attorney General

Encl.

cc: Heather Castillo, Hearing Officer
Service List, D.P.U. 12-120

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF PUBLIC UTILITIES**

**Investigation into the Department's
Service Quality Guidelines**

D.P.U. 12-120

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the preceding document and its enclosures upon all parties of record in this proceeding in accordance with the requirements of 220 C.M.R. 1.05(1) (Department's Rules of Practice and Procedure). Dated at Boston this 26th day of August, 2014.

/s/ Nathan C. Forster

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Report on the Massachusetts Department of Public
Utilities' Proposed Revised Service Quality Guidelines
(D.P.U. 12-120-B)

Prepared at the request of the Office of the Attorney General by
O'Neill Management Consulting, LLC

August 26, 2014

Introduction

O'Neill Management Consulting, LLC issues this report, at the request of the Office of the Attorney General (the "AGO"), to comment and make recommendations relative to the proposed revised Service Quality Guidelines issued by the Department of Public Utilities (the "Department").

We first note with approval that the Department's proposed revised Service Quality Guidelines ("SQ Guidelines") accord well with many of the recommendations in our report, Recommendations for Strengthening the Massachusetts Department of Public Utilities' Service Quality Standards, which was sponsored by the AGO and filed on December 13, 2012 (the "O'Neill Report"). Our report here will specifically note our agreement with the general thrust of, and most of the details of, the proposed SQ Guidelines. We believe the Department's newly proposed SQ Guidelines may well become a model for the industry, and their implementation as recommended will serve to challenge Massachusetts utilities to become industry best practice leaders over the next decade.

We also provide some recommendations for alternative implementations of some of the details, particularly the method for setting the statewide standard as an average, and also some requests for clarification of the methods for some other metrics.

The Department's order of July 11, 2014 (the "Order") is organized in nine sections, which discuss the proposed revised SQ Guidelines that are contained in Attachment A to the Order. In order to assist the Department, our comments track the organization of the Department's Order, *e.g.*, issues discussed in Section IV of the Department's Order are discussed in Section IV of these comments. The first two sections of the Order consist of a Preface and Introduction; these need no comment. Accordingly, our comments first address Section III of the Department's Order, which concerns the requirement for improved service quality.

III. The Requirement for Improved Service Quality

We agree with the Department's conclusion that the underlying purpose of the SQ Guidelines has fundamentally changed. The current SQ Guidelines were designed to ensure that service quality did not degrade under the newly adopted performance based ratemaking ("PBR") regime established at that time. However, as the Department has found in its Order, the PBR regime is no longer the basis for the Department's ratemaking; and thus there is a new driving force for the SQ Guidelines, which consists of factors such as the ease of achieving better service quality through technology and other process innovations, and also the growing societal reliance on service quality in businesses and residences in the state. Moreover, under the previous SQ Guidelines, due perhaps in no small part to them, service quality has improved in the last seven years, and has both shown what is possible and changed customer expectations of service quality in the state. The effects of aging infrastructure, as a force to be counteracted, and cost-effective

and least-cost grid modernization, as technologies to be exploited, are also discussed in the context of what is driving expectations of service quality to improve.

We agree with the Department that the revised guidelines should be driven by a need to ensure not just non-degradation of service quality but rather continuous improvement in the near future.

IV. Overview of Penalty Mechanism Elements

We agree with most of the Department's proposed changes to the penalty mechanism of the SQ Guidelines.

First, we agree wholly with the Department's finding that the offsets were more a product of trying to be fair about ensuring non-degradation of service under PBR, and also the finding that "elimination of offsets [is] consistent with our goal to require improved levels of service quality." Order, p. 13. As the AGO noted in its Reply Comments, offsets have more typically been used to "mask" less than desirable performance in some SQ Guidelines than to protect the local distribution companies (the "LDCs") from the effects of Type I and Type II errors. *See* Reply Comments of the Attorney General, pp. 11–14.

Second, we agree with the Department's decision to reject the PBR-inspired company-specific standards in favor of a set of statewide standards, some based on the aggregated historical performance of all of the state's electric and gas LDCs, and others derived independently. We, however, are interested in exploring the details of how the common benchmarks will be set during the further process requested by the LDCs.

Third, we agree that a rolling, company-specific performance standard is not the best way to set SQ Guidelines because it automatically penalizes better-performing companies. It could also complicate a company's strategy for achieving compliance with the guidelines by making it overly dynamic, as in, whether it would be better to achieve the target sooner or later, based on what it could do to the target itself.

Fourth, we agree with the Department's decision to reject the PBR-inspired historically fixed standards in favor of a commitment to continuous improvement in service quality. We agree that for some metrics it will be sufficient for now to simply set a new standard based on recent performance and the Department's judgment of what customers expect and can reasonably insist be strived for. We agree that for some metrics it is appropriate to allow for a "glide path" from a company's current performance to the new common standard over a period of time.

We, however, propose revisions to some of the details of how the statewide standards and glide paths might best be set in order to achieve the Department's stated purpose in motivating further improvement to service quality. In particular, we are concerned that in some instances, *e.g.*, the SAIDI and SAIFI targets, the goal that must be achieved by all companies over the next

ten years in glide-path increments of one third of the standard deviation every three years may actually be less ambitious than the current performance of all but one or two companies.

The data in Table 1 below show that if one were to take the reported SAIDI for the 5 electric companies currently reporting under the SQ guidelines for the 18 years from 1996 through 2013 inclusive, the overall mean would be 107.27, and for SAIFI it would be 1.088.¹ Accordingly, per the Department's proposed SQ Guidelines, each LDC would ultimately be subject to penalty for SAIDI and SAIFI performances worse than 107.27 and 1.088, respectively.

Table 1 - SAIDI/SAIFI Averages by company 1996–2013²

Company	SAIDI	SAIFI
MECo	132.81	1.176
Nantucket	31.95	0.428
NSTAR	108.35	1.118
Unitil	132.81	1.667
WMECO	139.01	1.050
5-companies	107.27	1.088

It is clear from the 2013 result data in Table 2 below that all of the companies are currently at levels that are better than the 5-company standard that would be based on an 18-year average, and some are significantly better.

¹ One issue that is raised from examining the data in Table 1 is that Nantucket Electric Company's data is quite different from the other companies. We expect that some companies may argue that the average should be other than a simple adding up and dividing by five. Alternatives might include a customer-weighted average (since both SAIDI and SAIFI are themselves customer-weighted) or a revenue-weighted average, since the penalty cap is based on T&D revenue. Either method of weighting the company results would raise the benchmark, *i.e.*, allow poorer performance, because it would weight Nantucket's data much less than the other companies' data, to the extent that the standard would be approximately equal to the average of the other four companies, *i.e.*, a SAIDI of 126 minutes and a SAIFI of 1.26.

² The AGO has disputed, in dockets D.P.U. 13-SQ-11 and 13-SQ-12, whether Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid, have reported their historical data for SAIDI and SAIFI in a manner consistent with the current SQ Guidelines. Here, we use the SAIDI and SAIFI numbers provided in Columns C and G to the Department information request DPU 2-8 in D.P.U. 13-SQ-11 and Columns C and G to the AGO's information request AG 4-3 in D.P.U. 13-SQ-12, which the AGO contends are the correct numbers. We note, however, that using National Grid's reported numbers, rather than the numbers that the AGO contends are correct, does not materially affect the analysis.

Table 2 – SAIDI/SAIFI 2013 results by company

Company	SAIDI	SAIFI
MECo	89.73	0.845
Nantucket	46.49	0.560
NSTAR	68.35	0.877
Unitil	101.69	1.020
WMECO	86.69	0.805
5-companies	78.59	0.821

Nor is this a one-year aberration, as the 2012 data and 2011 data in Tables 3 and 4 below similarly show almost all of the LDCs exceeding the penalty threshold that the Department proposes to set for the end of the glide path for SAIDI and SAIFI. The performances that would be subject to penalty under the benchmarks set by the end of the glide path are highlighted.

Table 3 – SAIDI/SAIFI 2012 results by company

Company	SAIDI	SAIFI
MECo	85.56	0.851
Nantucket	29.88	0.332
NSTAR	96.68	0.851
Unitil	105.10	1.620
WMECO	113.08	1.001
5-companies	86.06	0.931

Table 4 – SAIDI/SAIFI 2011 results by company

Company	SAIDI	SAIFI
MECo	96.30	0.887
Nantucket	30.49	0.317
NSTAR	61.21	0.807
Unitil	90.68	1.401
WMECO	105.90	1.002
5-companies	76.92	0.883

For comparison, Tables 5 and 6 below show the current benchmarks, standard deviations, and penalty thresholds, which were based on an average for each company of its 1996–2005 performance. Comparing these to the companies' recent performance in Tables 2, 3, and 4, the companies' are generally beating the penalty thresholds by a wide margin.

Tables 5 and 6 – Current SQ SAIDI/SAIFI benchmarks, deadbands, and penalty thresholds by company

Company	SAIDI	Deadband	Penalty Threshold
MECo	118.34	41.38	159.73
Nantucket	26.40	16.42	42.82
NSTAR	130.34	40.56	170.90
Unitil	136.50	25.32	161.83
WMECO	126.93	28.29	155.22

Company	SAIFI	Deadband	Penalty Threshold
MECo	1.275	0.176	1.452
Nantucket	0.447	0.260	0.708
NSTAR	1.234	0.145	1.388
Unitil	1.697	0.309	2.006
WMECO	1.026	0.156	1.182

In one sense, the fact that so many of the companies' recent performances beat the historically set standard and would meet a standard set based on an 18-year average may be a consequence of the success of the current SQ Guidelines, but it also suggests that such laudable progress may halt and perhaps in some cases retrogress if the standard for the next ten years is set so near to current performance. Thus, taking an 18-year average of the LDCs' performance as the standard for the next ten years can turn out to be not at all a commitment to improved service quality. Indeed, the concept of a 'glide path' that is intended to motivate companies to strive for gradual but continuous improvement in three-year steps over the next ten years would make no sense if all of the companies already met the standard.

Accordingly, we recommend that the statewide standard have a different basis than the 18-year average of the five electric LDCs, and thus propose that an alternative method be used to establish the standard and the glide path over the next ten years. The multiple possibilities that the Department could consider might include, but are not limited to:

- 1) Basing the standard on the last five years' performance, rather than the last 18 years;
- 2) Basing the standard on a trend line drawn through the last 18 years, or on an average percentage rate of improvement over that time, extending that rate of improvement for the next ten years; or

3) Basing the standard on the best-performing company for each metric over a particular time period, thereby challenging all, over a period of time, to achieve the same level.³

Moreover, we recommend that the Department adopt a shorter time period for the glide path. Considering the pace of modern technology and the rate of improvement made in service quality in this state over the seven years that the current SQ Guidelines have been in force, and given the uncertainties about what technologies and market changes could take place over a decade, it would seem more prudent to expect performance improvement, even if more modest, over a shorter period of time than a decade.

V. Metrics Pertaining Only To Electric Companies

A. SAIDI/SAIFI

We agree that SAIDI and SAIFI should be standardized on a statewide basis and also should require improvement over time. As discussed above in Section IV, we make certain recommendations that we believe could better achieve the Department's goal to motivate LDCs to provide better electric reliability via these metrics.

B. CKAIDI/CKAIFI

We agree with the Department's proposal to eliminate the offsets for the Poor Circuit Remediation penalties (CKAIDI/CKAIFI). However, we request additional clarification from the Department on how the CKAIDI/CKAIFI metrics would operate under the Department's proposed SQ Guidelines, perhaps with some numerical examples.

Our particular concern is with the mechanics of the comparison test. The application of the comparison test in the third year, as it is described in the proposed SQ Guidelines, appears to be redundant. If the newly defined chronic circuits are by definition those that have been among the Company's worst 5 percent for three years in a row, it is unlikely that the CKAIDI and CKAIFI of that circuit will be less than the mean plus one standard deviation of 100 percent of the company's circuits in the third year. If the CKAIDI and CKAIFI of a company's circuits were distributed according to the Normal distribution, any circuit in the worst five percent will likely have a value that is greater than the mean plus 1.65 standard deviations. As we understand it, then, this rule will virtually always mean that if any circuit moves from being a Problem Circuit to a Chronic Circuit, the maximum penalty for that metric (CKAIDI or CKAIFI) will be applied. As a result, we question whether, at least to its understanding, the comparison test would operate consistently with the Department's intentions. The proposed SQ Guidelines also appear to eliminate the comparison test for the second year, but that change is not mentioned in the Department's Order. We would recommend a fuller description of how the Department

³ We note that exceptions may need to be carved out to this concept because some small LDC's, such as Nantucket Electric Company and Blackstone Gas, report unusually high performance on certain of the Department's service quality metrics that may or may not be reasonably achievable by other LDCs.

intends to revise the comparison test and the purpose behind the Department's revisions.

The purpose of the comparison test is, of course, to allow for the possibility that the worst five percent of a company's circuits might not be bad at all if the company had done exceedingly well at reducing the variance (and hence the standard deviation) of performance of its feeders. As a simple alternative, we would recommend that the threshold for the comparison test might be set at a fixed number (one for each metric—CKAIDI and CKAIFI) that represented the Department's judgment of what would be an acceptable level of worst circuit performance.

C. CEMI/CELID

We agree with the Department that CEMI and CELID should eventually become penalty-eligible metrics in the SQ Guidelines. We disagree with the Department's proposal to require at this time only a status report on each company's capability for reporting on CEMI and CELID. Rather, we suggest that companies begin to report these measures using approximations based on available data, and provide a status report on resolving issues of data quality, all with the intention, as the Department states, of eventually incorporating these metrics into the penalty mechanism. In addition, we recommend that the Department communicate to the companies in its SQ Guidelines or in the final order that, given the pace of CEMI/CELID adoption in the industry, and the companies' efforts to date, it is expected that CEMI/CELID metrics will become penalty-eligible in less than five years from the adoption of the revised SQ Guidelines.

D. MAIFI

We agree with the Department's proposal to require companies to report any and all MAIFI data that they were able to gather and in addition to report the status of their grid modernization and other efforts in terms of their impact on the companies' ability to accurately gather data on the frequency of momentary interruptions. We suggest the same approach be taken per our recommendations for the previous category, CEMI/CELID.

E. Emergency Response/Downed Wire Response

We agree wholeheartedly with the Department's interest in creating penalty-metrics to help protect public safety, especially in regards to downed wires. We look forward to exploring the potential for a downed wire metric as part of the further process provided by the Department.

VI. Metrics Pertaining Only To Gas Companies

A. Odor Call Response/Emergency Overrides

We agree with the Department's proposal that the statewide standard for response to gas odor calls be raised from 95 percent within 60 minutes to 97 percent within 45 minutes; and also that two monthly exception reports be required, with an annual summary filed with the annual service quality report. This is a good example of where the current SQ Guidelines were effective in raising utility performance, and where the interests of public safety warrant that the revised

SQ Guidelines set a new standard for even better performance.

B. Gas Leak Repair Index

We agree with the Department's purpose in making sure that leaks are repaired in a timely manner, especially those leaks outstanding over a five-year period, with the goal of achieving a ratio of 1.0 or greater. Accordingly, a penalty-eligible metric for leak repair may be appropriate, and we look forward to exploring the potential for this metric in the context of the further process provided by the Department.

VII. Customer Service Metrics

A. Telephone Answering, Billing Adjustments, and Meter Reading

We agree with the Department's proposal to eliminate the telephone answering, meter reading, and billing adjustment metrics from the penalty structure. We disagree with the proposal to drop them entirely from the SQ Guidelines, preferring instead to relegate them to reporting only, since it is likely that the companies need to continue to monitor their performance in these areas in order to continue to deliver the operational excellence which they have achieved concomitant with the institution of the original SQ Guidelines.

B. Customer Satisfaction Surveys

We agree with the proposal that the companies' performance on customer satisfaction surveys should be included in the schedule of penalty-associated metrics. Also, we agree on the value of the proposed new customer satisfaction metrics for first contact resolution ("FCR," weekly, reported annually) and ease of doing business ("EDB," monthly, reported annually).

We recommend, however, that the Department make the preexisting customer satisfaction survey a penalty metric and make FCR and EDB reporting-only metrics for now. The proposed new metrics have no historical performance record, and are not necessarily comparable to any other regional or national measures (unless the Department has data of which we are not aware). Accordingly, the setting of the standards at 80 percent for FCR and 8 out of 10 for EDB may seem arbitrary and may ultimately prove to be either too permissive or too strict. The existing satisfaction metrics, on the other hand, have a long historical record in each company and are also comparable to similar surveys regionally and nationally, so that the setting of an appropriate standard can be done with some confidence. The new measures should be included as reporting-only metrics until such time as their typical and ideal values can be more confidently asserted.

C. Service Appointments

We agree with the Department's proposed tightening of the measurement of the service appointments kept metric (Order, pp. 51–52) in terms of expanding the scope to all appointments, limiting the window to four hours, counting re-scheduled appointments as missed if not re-scheduled prior to 48 hours before the appointment, and not allowing an unanswered phone call to constitute notice of re-scheduling. Given these more stringent definitions, the 85

percent fixed statewide standard is reasonable, subject to revision if initial results indicate otherwise.

D. Service Appointments

We agree with the Department's proposal to raise the payment from \$50 per missed appointment to \$100, and to redefine missed appointments consistent with how they are defined for the customer appointments kept metric.

E. Customer Complaints/Consumer Division Cases

We agree with the redefinition of the Consumer Division Cases metric, so that it would now include all customer complaints recorded in the Consumer Division, whether residential or commercial, and whether received directly on the Consumer Division hotline or received elsewhere in the Department and referred to the Consumer Division (and excluding consumer credit complaints, since they will be collected in another metric). The Department rightly points out that the improvement shown on the current metric by the companies may be largely due to automated meter reading and improved arrearage management which, while laudable, may mask issues that should still warrant penalties if not corrected.

F. Customer Credit Cases

We agree that a new consumer credit penalty-eligible metric may be helpful to properly draw attention to the acknowledged goal of affordable service for low-income residential customers. We look forward to exploring the potential for a consumer credit metric as part of the further process provided by the Department.

VIII. Other Metrics

A. Lost Work Time Accident Rate/Restricted Work Day Rate

We agree that there should be a statewide standard for worker safety, and we are content to have that set by an all-company historical average at first, rather than the 3.00 that the O'Neill Report suggested as reasonable for the Lost Work Time Accident rate, since, as the Department says, its approach "achieves the goals that underlie the Attorney General's proposal."

We, however, request clarification on how the mechanism for the glide path for the Lost Work Time Accident Rate ("LWTA") would operate in practice. The proposed SQ Guidelines state that the LWTA will be subject to a glide path such that any performance that violated the benchmark would be subject to penalty after ten years. However, the Order states that the Department "proposes setting the standard at the current statewide mean with the goal of moving to a standard of zero in five years," which suggests both a shorter time period and a stricter penalty threshold than the glide path as described in the proposed SQ Guidelines.

Moreover, the new common benchmarks should be carefully designed to avoid lessening the service quality required for LDCs in the near term. For example, a simple average of the benchmarks for LWTAs might result in a benchmark that is too high. There are certain smaller gas LDCs that have traditionally struggled with worker safety, and inclusion of their metrics in a simple average might skew the benchmarks high and defeat the Department's purpose in motivating improved service quality. A weighted average based on annual transmission and distribution revenues, staffing levels, or customer numbers may be more appropriate.

Also, we agree that the Restricted Work Days metric appropriately addresses worker bargaining unit concerns that companies may be adversely incented to distort their measurement of worker safety if the metric is too narrow.

B. Deletion of Certain Reporting Requirements

With regard to dropping some of the existing reporting-only requirements, we agree with the Department's adoption of the O'Neill Report's recommendation that the reporting of each company's designation of service territory, vegetation management policy, and spare component and inventory policy be dropped from the SQ Guidelines, as these are not annual performance metrics. We agree that the companies should file their vegetation management policies with their Annual Reliability Reports. We agree with the Department's proposal to drop from the SQ Guidelines the damage reporting, since it is redundant of reporting under the Dig Safe law.

C. Outage Reporting

We agree with the Department's proposal to add Outage Reporting to the service quality reporting rather than continue to make it part of companies' compliance with regulations concerning emergency response plans.

IX. Conclusion and Request for Comments

We appreciate this opportunity to comment on the proposed revised SQ Guidelines. Based on their earlier comments, we anticipate that at least some of the companies may try to suggest ways in which the proposed changes would be watered down, delayed, or remain unchanged. We continue to note that such foot-dragging does not seem to be consistent with the public image-enhancing statements the companies make about their desires to provide ever increasing service levels at affordable rates to their customers. Although the Department should, of course, consider reasonable suggestions to improve its SQ Guidelines and to avoid unintended consequences, the Department's straw proposal is an expansive and thoughtful approach to the difficult area of service quality regulation and requires only tweaks, not an overhaul, to be effective.